

PUBLIC DISCLOSURE

March 31, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Union Bank of Illinois
RSSD# 634245**

**4387 North Illinois Street
Swansea, Illinois 62226**

**Federal Reserve Bank of St. Louis
P.O. Box 442
St. Louis, Missouri 63166-0442**

NOTE: **This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the Federal Reserve concerning the safety and soundness of this financial institution.**

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the CRA performance of the **Union Bank of Illinois** prepared by the **Federal Reserve System**, the institution's supervisory agency, as of **March 31, 1997**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The Union Bank of Illinois meets the standards to receive a satisfactory rating. The loan-to-deposit ratio exceeds the standards, given the institution's size, financial condition, and the credit needs of its assessment area. Its loan distribution reflects a reasonable penetration among individuals of different income levels and businesses of different sizes, and the geographic distribution of its loans also reflects reasonable dispersion throughout the assessment area. However, the bank does not have a majority of loans and other lending-related activities within its assessment area due to the significant volume of motor vehicle loans arranged through dealers outside of the area.

DESCRIPTION OF INSTITUTION

The Union Bank of Illinois is owned by Union Illinois Company, a multi-bank holding company located in Swansea, Illinois. The bank has four offices, which are located in Swansea, Belleville, East St. Louis, and O-Fallon, Illinois. As of December 31, 1996, the bank reported assets of \$78.3 million. The bank's primary loan products are consumer installment and commercial loans followed by commercial and residential real estate loans. The bank received a satisfactory CRA rating at its previous examination on December 12, 1994.¹

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is defined as 44 census tracts in St. Clair County, which is located in western Illinois. The assessment area is wholly contained within the St. Louis Metropolitan Statistical Area (MSA) 7040.

List of Census Tracts in the Assessment Area				
5004.00	5014.00	5021.00	5029.00	5034.02
5005.00	5015.01	5022.00	5030.00	5034.04
5006.00	5015.02	5024.01	5032.01	5034.05
5008.00	5016.01	5024.03	5032.02	5041.00
5009.00	5016.02	5024.04	5033.01	5042.01
5010.00	5016.03	5025.00	5033.02	5043.04
5011.00	5017.00	5026.04	5033.03	5043.05
5012.00	5018.00	5027.00	5033.04	5044.00
5013.00	5019.00	5028.00	5034.01	

The assessment area has a population of approximately 189,124. The following table reveals the number of census tracts at each income level and the percentage of the

¹The December 12, 1994 examination was conducted by the FDIC. The bank became a member of the Federal Reserve System on September 5, 1995.

assessment area population residing in the census tracts.

Assessment Area Number of Census Tracts by Income Level²					
1990 Census DATA	Low-	Moderate-	Middle-	Upper-	TOTAL
Number of Census Tracts in the Assessment Area	16	8	17	3	44
Percentage of Total Tracts	36.4%	18.2%	38.6%	6.8%	100%
Percentage of Total	20.2%	17.7%	55.1%	7.0%	100%

²Low-income is defined as individual income, or in case of a geography, a median family income that is less than 50 percent of the MSA median family income.

Moderate-income is defined as individual income, or in the case of a geography, a median family income that is at least 50 percent and less than 80 percent of the MSA median family income.

Middle-income is defined as individual income, or in the case of a geography, a median family income that is at least 80 percent and less than 120 percent of the MSA median family income.

Upper-income is defined as individual income, or in the case of a geography, a median family income that is 120 percent or more of the MSA median family income.

Population Residing in Each Income Category					
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The 1990 MSA median family income was \$37,995 compared to an assessment area median family income of \$31,705.

The following table shows the population percentages of assessment area families in comparison to the St. Louis MSA for each income category.

Population by Family Income Level		
1990 Census Data	Assessment Area	St. Louis MSA
Low-Income Families	29.5%	19.4%
Moderate-Income Families	18.3%	17.7%
Middle-Income Families	22.7%	24.8%
Upper-Income Families	29.5%	38.2%

The bank's assessment area has 47.8 percent of its families classified as low- and moderate-income compared to 37.1 percent of the families in the MSA. In addition, 1990 census data shows that approximately 16 percent of the families in the bank's assessment area are below the poverty level which is significantly higher than the 8.1 percent reported for the St. Louis MSA.

Based upon information made available by the Department of Housing and Urban Development (HUD), the 1996 median family income is \$46,900 for the St. Louis MSA. The more current median family income figure was used in the CRA analysis of lending by income level of the borrower. These figures are useful when analyzing lending activity among individuals of different income levels.

Major industry in the area includes medical services, government, financial services, and manufacturing. The expansion of Metro-link, the light rail system in the St. Louis metropolitan area, to Belleville Area College and the completion of Mid-America Airport will increase both residential and business development in the assessment area.

Banking competition in the assessment area is intense. The bank's primary competition comes from four locally headquartered banks and the branches of six banks headquartered in St. Louis. Twelve banks are headquartered in St. Clair County. The county has a total of 60 bank branches, with 41 of the 60 located inside of the bank's assessment area. Many of the bank branches are subsidiaries of multi-billion dollar bank holding companies. In addition to these banks, there are several credit unions and savings banks.

CONCLUSIONS WITH RESPECT TO THE PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio exceeds the standards for satisfactory performance in light of its capacity to lend, the capacity of other similarly-situated banks to lend in the assessment area, demographic and economic factors present in the assessment area, and lending opportunities available in the assessment area. For the eight quarters since the last examination, the bank's average loan-to-deposit ratio was 72.1 percent compared to 25.9 percent to 73.7 percent for the bank's competitors. In reviewing the adequacy of the ratio, the large number of small dollar consumer loans originated was also considered. The bank's willingness to lend small dollar amounts to low- and moderate-income customers helps to meet the community's overall credit needs.

Lending in the Assessment Area

The bank's lending in the assessment area does not meet the standards for satisfactory performance because a majority of the loans reviewed were located outside of the assessment area. Of the 165 loans sampled, only 80 or 48.5 percent were originated within the assessment area. As shown below, however, approximately 67.5 percent of the dollar volume of loans reviewed were located within the area due to the relatively larger size of individual real estate and commercial loans.

Distribution of Loans In/Out of the Assessment Area					
Loan Type	Sample Size	Number in Assessment Area		Dollar Amount in Assessment Area	
Motor Vehicle	86 \$1,056,994	20	23.3%	\$199,348	19.0%
Real Estate	40 \$2,364,000	37	92.5%	\$2,175,000	92.0%
Commercial	39 \$1,833,801	23	59.0%	\$1,170,531	63.8%
Total	165 \$5,254,795	80	48.5%	\$3,544,879	67.5%

The number of motor vehicle loans located within the assessment area was very small due to arrangements that the bank has with dealers outside of its assessment area. The

previous president had a relationship with these dealers before he joined Union Bank of Illinois. The bank has recently made arrangements with local automobile dealers to provide motor vehicle financing, which will improve the bank's lending within its assessment area. While the majority of the commercial loans sampled was within the assessment area, many were located outside of the assessment area. The overall number of loans outside of the assessment area supports a finding that the bank's performance for this performance criteria does not meet the standards for satisfactory performance.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

A statistical review of the distribution of loans to individual borrowers of different income levels and to businesses of different sizes shows that the bank adequately provides loans to borrowers of all income levels and, thus, meets the standards for satisfactory performance.

The following table depicts the number and dollar volume of loans according to borrower income level.

Distribution of Loans In Assessment Area by Income Level of Borrower³

Loan Type	Borrower Income Level				
	Number of Loans				
	Dollar Volume				
	Low-	Moderate-	Middle-	Upper-	Total
Motor Vehicle	10 55.5%	3 16.7%	4 22.1%	1 5.6%	18 100.0%
	\$99,392 51.2%	\$20,862 10.8%	\$62,406 32.1%	\$11,481 5.9%	\$194,141 100.0%
Real Estate	5 13.5%	11 29.7%	11 29.7%	10 27.1%	37 100.0%
	\$115,000 5.3%	\$425,000 19.5%	\$684,000 31.5%	\$951,000 43.7%	\$2,175,000 100.0%
Total	15 27.3%	14 25.4%	15 27.3%	11 20.0%	55 100.0%
	\$214,392 9.1%	\$445,862 18.8%	\$746,406 31.5%	\$962,481 40.6%	\$2,369,141 100.0%
Assessment Area	16 29.5%	17 18.3%	16 22.7%	11 29.5%	50 100.0%

³The distribution of loans to individuals by income level is determined using the income definitions in footnote one but is based on the most current median family income figures (\$46,900) made available by (HUD), rather than 1990 census data. Comparison population figures are based on 1990 census data.

Family Population				
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As shown above, the bank is quite effective in lending to low- and moderate-income individuals. The bank made 72.2 percent of its motor vehicle loans to low- and moderate-income borrowers. In comparison, 47.8 percent of the families in the assessment area are classified as low- and moderate- income. The percentage of real estate loans made to low- and moderate-income borrowers, although less than the percentage of motor vehicle loans, is also quite favorable at 43.2 percent. The level of real estate lending is impacted by the lack of affordable housing in the area.

The following table illustrates the level of lending to businesses of different sizes.

Distribution of Small Business Loans				
Gross Revenue	Loan Origination Amount \$(000's)			Total Loans
	≤\$100	>\$100≤\$250	>\$250<\$1,000	
Less than \$1 million	11 68.8%	0 0.0%	0 0.0%	11 68.8%
\$1 million or more	1 6.2%	4 25.0%	0 0.0%	5 31.2%
Total Loans	12 75.0%	4 25.0%	0 0.0%	16 100.0%

The table shows that 68.8 percent of small business loans were originated to businesses with gross annual revenues of less than \$1 million and 75.0 percent were for small dollar amounts of \$100,000 or less. The bank's lending to borrowers of different income levels and businesses of different sizes meets the criteria for satisfactory performance.

Geographic Distribution

A statistical review of loans to individual borrowers and businesses shows that the bank's loans are distributed in a reasonable manner throughout the assessment area. As such, the geographic distribution of the bank's loans meets the standards for satisfactory performance. The distribution of sampled loans appears in the following table.

**Geographic Distribution of Loans Across Assessment
Area by Income Level of Census Tract**

Loan Type	Census Tract Income Level				
	Number of Loans				
	Dollar Volume				
	Low-	Moderate-	Middle-	Upper-	Total
Motor Vehicle	3 15.0%	1 5.0%	16 80.0%	0 0.0%	20 100.0%
	\$6,670 3.4%	\$16,991 8.5%	\$175,687 88.1%	\$0 0.0%	\$199,348 100.0%
Real Estate	3 8.1%	5 13.5%	24 64.9%	5 13.5%	37 100.0%
	\$42,000 1.9%	\$208,000 9.6%	\$1,480,000 68.0%	\$445,000 20.5%	\$2,175,000 100.0%
Commercial	10 43.5%	5 21.7%	8 34.8%	0 0.0%	23 100.0%
	\$491,928 42.0%	\$241,980 20.7%	\$436,623 37.3%	\$0 0.0%	\$1,170,531 100.0%
Total	16 20.0%	11 13.8%	48 60.0%	5 6.2%	80 100.0%
	\$540,598 15.3%	\$466,971 13.1%	\$2,092,310 59.0%	\$445,000 12.6%	\$3,544,879 100.0%
Assessment Area Population by Tract	20.2%	17.7%	55.1%	7.0%	100.0%

The table indicates that the bank originated 33.8 percent of the sampled loans in the low- and moderate-income census tracts where 37.9 percent of the assessment area's families reside.

Review of Complaints

No complaints have been received since the prior examination.

Additional Information:

A fair lending analysis focusing on the Equal Credit Opportunity and Fair Housing Acts was performed during the examination. The analysis revealed that the bank is in compliance with the substantive provisions of the anti-discrimination laws and regulations.